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State regulators cracking down on multimillion-dollar bingo industry

By BILL BURKE, The Virginian-Pilot

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Angel Gilbert of Virginia Beach struggles to keep up with the caller and a conversation during a game for the Animal Assistance League of Chesapeake. The woman running the animal league's games is known for being tough on corruption.

stephen m. katz / the virginian-pilot

Corruption? Abuse? Bingo!



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For scores of Hampton Roads organizations, bingo is the engine that drives charitable fund raising, generating just over \$100 million annually – a sum that could run the Suffolk school system for almost a year or finance a Hollywood summer blockbuster.

But the cash-or-check-only transactions in big, smoke-filled halls often prove tempting to those who host the games and those who play them. Abuses and corruption in the bingo industry are rampant.

The president of a Virginia Beach youth gymnastics organization was charged July 20 with embezzling \$35,000 from the group's million-dollar bingo operation, and 14 criminal investigations are under way involving some of the state's other big games.

Since its creation last year, the state Department of Charitable Gaming has conducted nearly 100 audits, turning up a host of problems. Many were found in Hampton Roads, which is the epicenter of Virginia's bingo industry, with eight of the nine most lucrative games in the state.

Since May, the state has shut down two popular bingo venues in Hampton Roads.

- [Chart: Hampton Roads, Virginia's bingo mecca](#)

- [Graphic: Receipts, expenses of a legal bingo game](#)

In June, a \$1.7 million game in Portsmouth, operated by former professional basketball star Bob Dandridge, was forced to close after the state determined that Dandridge had used more than \$10,000 in bingo proceeds to buy a late-model Cadillac sport utility vehicle and could not account for thousands of other bingo dollars.

In May, the state yanked the permit of a Chesapeake organization made up of retired and active-duty U.S. Marines. The group failed to report thousands of dollars in bingo receipts to the state, neglected to keep accurate books and used another organization's federal tax identification number to reap more than \$3 million in bingo proceeds, records show.

A review of bingo audits and other industry documents, and interviews with dozens of people associated with the business, produced these findings:

- Three of the five organizations whose permits have been revoked in Virginia this year had played in Hampton Roads. It is apparently the first time that the state has yanked bingo permits.

- Since 1997, 43 people have been convicted of bingo-related crimes, including embezzlement and fraud, in Virginia. Twenty of those, or nearly half, occurred in Hampton Roads.

- Several local organizations that relied on bingo as their chief funding source have quit the business because of unexplained revenue shortages and other problems. One group, which operates a shelter for homeless women, will be paying off its bingo debt to the state through the end of 2009.

- Only 53 of the 115 organizations that held state-licensed games in Hampton Roads last year met state requirements for charitable contributions. One organization that grossed \$457,000 last year donated nothing to charity.

One widespread abuse is making illegal payments to "volunteer" workers. Charitable bingo games can be operated only by unpaid volunteers, a policy aimed at keeping criminals at bay. But illicit payments are commonplace, said bingo operators, workers and investigators interviewed for this report. A man convicted of a bingo-related crime told how game managers sometimes leave cash for workers neatly folded under ashtrays during a game's intermission.

Illegal payments to workers "happen all the time," said Janis Dyer, head of the Animal Assistance League in Chesapeake, which sponsors one of the state's biggest games. "I'd say in half the games that are being played in this area, something illegal is going on."

Several organizations, among them the sponsor of Virginia's second-biggest game, have been unable to produce copies of current tax returns that the Internal Revenue Service requires tax-exempt organizations to file yearly and make available for public inspection.

The Boys & Girls Club of Annandale, which grossed \$2.68 million in 2003, last filed a return for tax year 2001, state officials say. The state began an audit of the organization in 2002 that is still pending. The organization refused repeated requests by The Virginian-Pilot to provide copies of its tax returns.

In Virginia, as in most other states that allow bingo, games can be conducted only by tax-exempt organizations for charitable purposes. But the activity that began benignly in church social halls has moved into sprawling emporiums where participants sit at long tables under banks of fluorescent lights, playing around the clock on weekends. Each year, about \$350 million changes hands in Virginia's bingo parlors. At least \$70 million is spent at games held in private social halls not regulated by the state.

Churches still play, but the biggest games raise money for youth sports groups and booster clubs, agencies that help those with illnesses such as AIDS and cancer, fire departments and rescue squads, and fraternal and social groups. State regulators give most of the games a clean bill of health.

Nothing seems to slow the bingo express. Boosters feared that the advent of a state lottery and pari mutuel betting would eat into bingo proceeds, but in Hampton Roads, the dollar value of the business has more than tripled since the lottery debuted in 1988.

Nor have bans on smoking in public places hurt. Bingo-hall operators do nothing to discourage the habit during the sessions, although many now offer glass-partitioned no-smoking areas.

Even with several large games shuttered, more than 100 are still in business locally.

There are 25 large commercial bingo halls in the state, and 19 of them operate here. Of the 95 games that grossed \$1 million or more, 49 are here. And \$43 of every \$100 spent in regulated bingo games statewide was wagered in Hampton Roads.

The region's voracious appetite for bingo, say those who follow the game, can be explained by the area's leisure-resort nature, the presence of large numbers of military spouses and retirees with free time, and its sizable population of service-sector workers, who tend to frequent bingo halls.

Entrenched tradition is even a factor, say observers. Bingo has been part of the local culture ever since the state legalized charitable gaming in 1973. On a recent Saturday night, Mary Holmes was in her element at New Independence Hall in Virginia Beach, wearing a blue T-shirt proclaiming her an "All-American Mom." She ripped open one "instant" bingo card after another, bearing names like "Crank It Up!" and "Wiener Dog," hoping for a winner. But her discard pile grew and grew.

A week earlier, coming off heart surgery, she had spent 17 hours sitting in the same hall, playing three sessions, one after the other, finishing with a game that started at midnight. Her children get on her about her bingo "habit," she said.

But she tries to spend no more than \$40 per session – players often spend \$100 or more – and no more than five four-hour sessions a week.

Competition for the finite pool of bingo patrons such as Holmes has become more pitched. Games must offer bigger jackpots, which increases costs. If, on top of this, bingo proceeds are stolen or misspent, bingo can produce losses or meager profits for intended charities.

"You really have to pay attention to what's going on. You have to have dedicated and honest volunteers," said John Talkington, president of the Old Dominion Aquatic Club, which runs the biggest game in the state – bringing in \$3.2 million in 2003. That sum yielded \$336,000 to fund training and travel for the club's youth swimmers.

"I wouldn't relish having to start out in bingo in the current environment," Talkington said.

For officials at Barrett Haven Inc., which operates a shelter for homeless single women in Norfolk, the question was simple: Where did all the money go?

In 2002, Barrett Haven's twice-weekly bingo games took in \$1.95 million. But the games didn't produce enough charitable dollars to pay the bills at the white, two-story house with brown trim in Norfolk's working-class Ballentine Park neighborhood.

Barrett Transitional Home provides shelter for women down on their luck and out on the street, like Linda Pascua, 44, who has been working as a school crossing guard while trying to become a massage therapist. The 10 beds are always full. And there's always a waiting list.

After the bingo debacle, executive director Barbara Gaddy feared that the organization would have to close its doors. To avoid that, the home reduced its hours of operation and laid off employees.

Gaddy said that when she attended her first bingo game in spring of 2003: "I was horrified. I could easily see how

a criminal element could get involved. People were taking \$20 bills and stuffing them into aprons.”

The organization stopped holding bingo games in June 2003. In May, the state demanded payment of more than \$18,000 that the organization owed in unpaid bingo fees and penalties. The problems were discovered during an audit. Barrett Haven is repaying the debt in \$250 monthly installments that will continue for more than five years.

“We’re not a wealthy organization,” said the Rev. Patricia Bessey, Barrett Haven’s board chairwoman. “The board is trying to find out where things went awry and where the money went.”

She said the problems existed when she took over leadership of the board last year. Former board chairman Roy R. Brown started the bingo games, she said.

Brown, now retired, said he had acted as bingo game manager before leaving the board “by mutual agreement” in January 2003. He said he was unaware of financial woes related to the games.

“There were no problems when I was manager,” Brown said. “We had a great game.”

Gaddy says she’s “thrilled” to be through with bingo, which she said she feels is inconsistent with the home’s mission. “One cause of homelessness is addiction,” she said. “And a lot of the people I saw at that bingo game looked like people who shouldn’t be there – people trying to buy a dream that wasn’t going to happen.”

Other organizations that relied on bingo as their primary source of income also have turned away from the games. The Boys & Girls Clubs of South Hampton Roads, which once sponsored one of the state’s biggest games, ended bingo sessions because of criminal activity. Executive Director Chet Emerson, echoing Gaddy, said bingo conflicted with the agency’s philosophy.

In the past year, Khedive Temple, Animal Rescue of Tidewater and the Western Branch Band Parents Association also quit bingo, citing various problems, including stiff competition for players, difficulty recruiting volunteers and the unexplained disappearance of funds.

And the Youth Crisis Network of Norfolk saw bingo proceeds mysteriously drop so sharply that “we were in danger of closing our doors,” said executive director Carol Turner. She said the group, which depends on bingo for 90 percent of its income, developed new safeguards earlier this year and now holds games every Monday and Thursday morning at Chesapeake’s Brentwood Hall.

Bingo scandals crop up from time to time in Virginia. A federal racketeering probe in Norfolk in the mid-1980s, when bingo games were overseen by local governments, resulted in four convictions. A decade later, shortly after the state began regulating the games, a probe involving a game to benefit boys’ baseball produced five convictions. Efforts to rein in bingo abuse have met with spotty success.

In 2002, a state legislative watchdog group issued a report criticizing the Charitable Gaming Commission, which had overseen bingo in Virginia since its formation in 1996. The Joint Legislative Audit and Review Commission cited a backlog of hundreds of bingo-playing organizations needing to be audited.

So last year, the state created the Department of Charitable Gaming, which began operating on July 1, 2003. The first order of business, said director Clyde E. Cristman, was catching up on audits.

Of the 93 organizations that his agency audited in its first year of operation, 46 had failed to report receipts totaling \$3.7 million. Failure to report proceeds means that the state is being shortchanged in fees that fund the department’s operation.

The state is divided into four regions, with one inspector assigned to each. In the Tidewater Region, a retired Virginia Beach police sergeant keeps tabs on more than 100 games.

The agency has allowed some operators who have violated state laws or regulations to remain in business if they

produce corrective plans of action and stick with them.

A state review of bingo games sponsored by Youth Services Corporation of Virginia Beach, for instance, showed that the organization under reported receipts by \$935,000 between 2000 and 2003. The organization paid "volunteers" tens of thousands of dollars.

But Youth Services Corp., the 11th most lucrative game in the state last year with \$2.14 million in gross receipts, still sponsors two bingo games a week.

Cristman, who heads the gaming department, says he tries to rule with an iron fist in a velvet glove – educating and training those who want to play honest games. "We try to give the benefit of the doubt where possible," he said.

But sometimes he has little choice but to show no mercy.

The tall fellow manning the table in Portsmouth's Tower Auditorium on June 30 once played basketball alongside Hall of Famers Kareem Abdul-Jabbar and Oscar Robertson. He earned two National Basketball Association championship rings.

But on this night, Bob Dandridge was busy selling packs of bingo cards while a caller droned out numbers from his perch in the middle of the room.

Outside, a Cadillac Escalade, its black finish gleaming, was parked in a space near the entrance to the bingo hall.

Dandridge used \$5,000 in bingo proceeds to make a down payment on the luxury SUV, which retails for more than \$50,000, and last year began making the \$771 monthly payments with bingo money, a state investigation showed.

Dandridge, who played basketball at Norfolk State, told officials he had bought the vehicle to ferry around disadvantaged youngsters ministered to by his Norfolk organization, The Dandridge Group. Cristman said he gave Dandridge the benefit of the doubt, even while explaining that a modestly priced van would have been more suitable and may not have raised eyebrows in Richmond.

But an audit by the department also showed that the organization couldn't explain why \$8,593 in bingo proceeds was used to pay credit-card bills. Nor could it account for \$12,337 in additional gaming funds or \$1,326 in checks made payable to Dandridge or his wife.

Also, even though the organization's bingo games grossed a total of more than \$2 million in 2002 and 2003, only about \$65,000 of that money went to charity, about 3.5 percent of the total proceeds.

The gaming agency refused to renew The Dandridge Group's permit, which expired June 30, effectively forcing it out of the bingo business.

Dandridge declined to comment.

"I can only imagine how many Cadillacs have been bought out of gaming funds," Cristman said.

Two years ago, the 12th -largest bingo game in Virginia was an organization with the unwieldy name of Montford Point Marine Association & Roaring Thunder Chapter 14 & Tidewater Lodge 106, based in Chesapeake. It grossed \$1.97 million. The organization, which ministers to troubled youth, did not fare well under state scrutiny.

Its record-keeping was poor, an April audit showed. It wrote checks on insufficient funds. It underreported receipts by \$148,000 last year. And while raking in a total of \$3 million in bingo dollars during 2002-2003, it produced only about \$40,000 in charitable dollars, just 1.5 percent of gross revenues. Those were among the problems that the state knew about.

What the state didn't know was that the group used another organization's federal tax identification number without that organization's knowledge or consent to raise the \$3 million.

In order to obtain a state permit to play bingo, an organization must provide its federal tax ID number, which is assigned by the IRS, to verify its tax-exempt status. The number that the Chesapeake chapter submitted, however, belongs to the Montford Point Marine Association of Washington, D.C., according to IRS records.

The Montford Point group, with several chapters across the country, celebrates the memory of the first black members of the U.S. Marine Corps near Camp Lejeune, N.C.

Reuben J. McNair Sr. is board chairman and past president of the D.C. chapter. He was surprised when informed by The Virginian-Pilot that the Chesapeake group had used his chapter's tax ID number. When told how much money the group had made playing bingo, he whistled in astonishment.

"There's no way we've taken in anything like that," he said, noting that his group's biggest fund-raiser, celebrating the birthday of the Marine Corps, grosses less than \$3,000. "I didn't know they were using our tax ID number. We didn't give them permission to do that."

Officials with the Chesapeake organization declined to comment.

An IRS spokeswoman said using another organization's tax ID number is illegal. "It would be like someone using your Social Security number," she said.

The state gaming department revoked the Chesapeake group's bingo permit in May. Cristman said that the Montford Point permit was issued by the department's predecessor agency and that department policies provide safeguards against such abuse.

"We wouldn't issue a permit to someone in that situation now," he said.

A 12-square-block area near Virginia Beach's bustling, unofficial downtown is Bingo Central in Hampton Roads. Holmes was playing at New Independence Hall, one of four large venues operating there.

Last year, 14 organizations grossed \$23.8 million at those four halls, according to state records. That represents almost one-fourth of the total for the entire Tidewater Region. The big rental halls that proliferate in Hampton Roads are no-frills buildings where snack bars and ATM s do a brisk business.

Some are vacated big-box stores or one-time skating rinks. Others were custom-built for bingo.

They are the biggest reason that the Tidewater Region produces the lowest percentage of charitable bingo dollars of any of the state's four regions, gaming officials say.

Rent charged by hall owners generally ranges from about \$1,500 to \$3,000 for a four-hour session, according to seven bingo-game operators. Under law, the venues can host bingo sessions only two days a week, so the operators must make the most of those opportunities, they say. As a result of rental fees, hall operators wind up with almost as many bingo dollars each year as charities do. Last year, charities were enriched by \$10.6 million in the Tidewater Region, according to state records. Hall operators earned about \$9.4 million in rent, according to calculations by The Pilot. The gaming department maintains no financial data about the halls.

But the charitable-dollar total includes contributions from many organizations that own playing facilities and thus do not pay rent.

The 14 groups that play at the four rental halls near Town Center include some of the largest and most successful games in the region, including youth sports groups, the American Red Cross and two organizations that benefit animals.

They raised a total of \$1,948,000 in charitable dollars last year but paid more than \$2 million in rent, according to research by The Pilot.

Richard I. Miller, a bingo landlord since the 1970s, owns one of those four halls, Cleveland Street Bingo. Miller is also one of nine members of the state Charitable Gaming Board, which sets policy for the gaming department. Board members are appointed by the governor.

Miller insists that the organizations that play games in his building contribute more money to charities than they pay in rent. He also noted that because he can allow bingo games only twice a week, "our building sits idle for five days. We have to pay employees as if it's a five-day work week."

Considering the alternatives, bingo has been a godsend for some charities, Miller said.

"If an organization can make \$2,000 playing bingo, isn't that better than sending kids out to sell candy or hold car washes?" Miller said. "It keeps the kids off the street."

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